

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 NEA-10 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 L-03 H-02

/081 W

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P 142200Z NOV 75

FM AMCONSUL CALI

TO SECSTATE WASHDC PRIORITY 1601

INFO AMEMBASSY BOGOTA

AMCONSUL MEDELLIN

UNCLAS CALI 0562

EO 11652: N/A

TAGS: EINV

SUBJ: ARAB MONEY ALLEGEDLY MAKES ITS FIRST APPEARANCE  
AT CALI

### SUMMARY

CONSULATE HAS BEEN INFORMED OF PLANS FOR A NEW 330 ROOM HILTON HOTEL AT CALI AND A 622 ROOM SHERATON HOTEL AT BOGOTA, BOTH HOTELS TO BE PROMOTED BY CAMILO AND ALVARO HERNANDEZ ARRECHEA AND FINANCED ENTIRELY BY ARAB MONEY (DUBAYY EMIRATE). ACCORDING TO ALVARO HERNANDEZ, ARAB FINANCING HAS ALSO BEEN OFFERED LOCALLY IN THE AMOUNT OF 8 MILLION DOLLARS FOR COMPLETION OF THE CALI MUNICIPAL CENTER AND 100 MILLION DOLLARS FOR THE SALVAJINA DAM AND FLOOD CONTROL PROJECT. HERNANDEZ ALSO INDICATED ARAB INTEREST IN FINANCING AN ALUMINUM MILL WITH A 10 TON PER DAY CAPACITY IN THE LA CUMBRE AREA COSTING 93 MILLION DOLLARS. HE STATES THAT ARAB MONEY HAS ALSO BEEN OFFERED TO EMPRESAS PUBLICAS DE MEDELLIN IN THE AMOUNT OF ONE MILLION DOLLARS.

1. ALVARO A. HERNANDEZ ARRECHEA, RESIDENT AT SAO PAULO,  
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BRAZIL, REPRESENTS THE ENGINEERING/FINANCING CONSULTING FIRM OF

GOODKIND AND O'DEA, 1366 CLIFTON AVE. CLIFTON, NEW JERSEY. HERNANDEZ CLAIMS HIS FIRM HAS THE EXCLUSIVE FINANCIAL REPRESENTATION IN SOUTH AMERICA OF ARAB INVESTORS FROM THE EMIRATE OF DUBAYY. ACCORDING TO HERNANDEZ, THE FIRM'S ARAB CLIENTS ARE ANXIOUS TO INVEST A PART OF THEIR OIL PROFITS (ESTIMATED AT 640 BILLION OVER THE NEXT TWO YEARS) IN THE CARIBBEAN, CENTRAL AMERICAN, BRAZILIAN, VENEZUELAN, COLOMBIAN AND ECUADORIAN MARKETS. LOANS HAVE ALREADY BEEN MADE IN JAMAICA (EXTENSION OF AIRPORT FACILITIES) AND COSTA RICA (THREE HOTELS). IN CONJUNCTION WITH HILTON, A PROJECT IS UNDER WAY FOR THIRTY REPEAT THIRTY HOTELS IN BRAZIL AND NEW HOTELS AT PANAMA CITY, QUITO AND GUAYAQUIL.

2. MR. HERNANDEZ, WHO IS ORIGINALLY FROM CALI, HAS INTERESTED HIS FIRM IN HOTEL INVESTMENTS IN CALI AND BOGOTA AND, IN CONJUNCTION WITH HIS BROTHER CAMILO, THE HERNANDEZ BROTHERS WILL SERVE AS PROMOTORS FOR THE TWO COLOMBIAN HOTELS. A 330 ROOM HOTEL IS TO BE CONSTRUCTED IN CALI, WITH PROVISION FOR EXPANSION TO 500 ROOMS WITHIN 3 TO 5 YEARS. THE CALI HOTEL, WHICH IS TO BE MANAGED BY THE HILTON INTERNATIONAL CORPORATION, WILL BE LOCATED ON HIGH GROUND ACROSS THE RIVER FROM THE PRESENT INTERCONTINENTAL HOTEL. THE BOGOTA HOTEL TO BE CONSTRUCTED WITH 622 ROOMS, IS TO BE MANAGED BY THE SHERATON CORPORATION OF AMERICA AND WILL BE LOCATED IN BOGOTA'S TOURIST AREA, REPORTEDLY ADJACENT TO THE PRESENT 'PROEXPO' BUILDING. PROPERTY FOR THE TWO HOTELS HAS BEEN PURCHASED AND CONSTRUCTION IS EXPECTED TO BEGIN IN MARCH OR APRIL 1976 WITH A COMPLETION DATE OF 30 MONTHS THEREAFTER. CONSTRUCTION OF THE CALI HOTEL WILL COST APPROXIMATELY 500 MILLION PESOS AND THE BOGOTA HOTEL WILL BE UPWARDS OF A BILLION PESOS (EXCHANGE RATE-PS. 32.25 TO US 1.00 DOLLAR).

3. HERNANDEZ HAS INFORMED THE CONSULATE THAT APPROXIMATELY TWO MONTHS AGO HE OFFERED ARAB FINANCING FOR THE CALI MUNICIPAL CENTER IN THE AMOUNT OF 8 MILLION DOLLARS. HE STATES THAT THE CITY AUTHORITIES ARE CONSIDERING THIS OFFER AND THAT A DECISION IS EXPECTED SHORTLY. IN TENTATIVE DISCUSSIONS WITH THE CORPORATION AUTONOMA REGIONAL DEL CAUCA (CVC) AUTHORITIES, HERNANDEZ INFORMED THE CVC OF ARAB WILLINGNESS TO PROVIDE 100 PERCENT FINANCING OF THE 100 MILLION DOLLAR SALVAJINA UNCLASSIFIED

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DAM AND FLOOD CONTROL PROJECT. THIS WOULD BE A 20 YEAR LOAN WITH THE POSSIBILITY OF GOODKIND AND O'DEA PARTICIPATING IN PROVISION OF EQUIPMENT AND PROVIDING CONSULTING ENGINEERING SERVICES. DESPITE THE FACT THAT THESE TERMS ARE CONSIDERABLY BETTER THAN THE 60 PERCENT FINANCING PROPOSED BY THE JAPANESE FOR A 15 TO 20 YEAR PERIOD, MR HERNANDEZ FOUND THE CVC AUTHORITIES UNABLE TO ADJUST THEIR THINKING AWAY FROM JAPANESE FINANCING IN SPITE OF CHANGED CONDITIONS SINCE THE ORIGINAL

TENTATIVE ARRANGEMENTS WERE SIGNED IN 1971. MR HERNANDEZ DID NOT BELIEVE THE CVC TOOK HIS PROPOSALS SERIOUSLY.

4. HERNANDEZ HAS ALSO INFORMED THE CONSULATE THAT HE HAD BEEN IN CONTACT WITH ALCAN AND REYNOLDS REPRESENTATIVES REGARDING ARAB FINANCING FOR A PROPOSED BAUXITE EXTRACTION INSTALLATION IN THE LA CUMBRE AREA, 30 KMS. NORTH-WEST OF CALI. THE ALUMINUM PLANT WOULD COST APPROXIMATELY 90 MILLION DOLLARS. HE ALSO MENTIONED IN PASSING THAT HIS FIRM HAS OFFERED ONE MILLION DOLLARS TO EMPRESAS PUBLICAS DE MEDELLIN FOR THE PURCHASE OF TELEPHONE EQUIPMENT FROM THE SWEDISH FIRM L.M. ERICSON.N

COMMENT

THE FIRM GOODKIND AND O'DEA IS A MEMBER OF THE AMERICAN INSTITUTE OF CONSULTING ENGINEERS, AS REFLECTED IN THE ENGINEERING CONSULTANTS HANDBOOK. CAMILO HERNANDEZ IS LISTED LOCALLY AS AN ATTORNEY, marginally involved in politics it has been difficult, however, to obtain any clear reading on his business reputation. While the information provided has the aspect of Santa Claus making an early November visit to Cali, the consulate believes that should the information prove authentic, it might well indicate an entirely new foreign investment pattern for the Caribbean, Central America, Brazil and the Northern Tier countries of South America. The post suggests the Department may wish to follow up by a direct approach to Goodkind and O'Dea regarding the magnitude of their Arab clients present and future investment plans for the area.

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